



Health Services

LOS ANGELES COUNTY

September 20, 2011

Los Angeles County Board of Supervisors

Gloria Molina
First District

Mark Ridley-Thomas
Second District

Zev Yaroslavsky
Third District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

TO: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: Mitchell H. Katz, M.D.
Director

**SUBJECT: REVISED REIMBURSEMENT RATES FOR PHYSICIAN
SERVICES FOR INDIGENTS PROGRAM (PSIP)**

Mitchell H. Katz, M.D.
Director

Hal F. Yee, Jr., M.D., Ph.D.
Chief Medical Officer

John F. Schunhoff, Ph.D.
Chief Deputy Director

As indicated in our July 18, 2011 PSIP Status Report to the Board, the Department of Health Services (DHS) has completed its funding and claim projection for Fiscal Years (FY) 2010-11 and 2011-12 (see attachment). This is to inform your Board that due to the FY 2009-10 State Budget funding reductions to the PSIP, the continued increase in claim volume, and a slight increase in payment per claim, DHS has no option other than to propose reduction in the PSIP reimbursement rate from 18% to 12% for all outstanding claims for FY 2010-11, and reduce the rate for FY 2011-12 to 14% of the Official County Fee Schedule (OCFS). DHS has stopped payment of FY 10-11 claims and will resume payment when the Board approves the reduced rate. The Department does not have other sources of revenue to maintain the current reimbursement rate. Aside from Measure B funds for PSIP Trauma (partial offset), these programs have historically been exclusively funded through State legislated sources or the State budget.

DHS plans to begin the public process necessary to implement the proposed PSIP reimbursement rate reduction to participating non-County physicians, since continuing reimbursement at the current 18% of OCFS would result in a projected shortfall of \$1.2M for FY 2010-11 and \$3.3 M for FY 2011-12. If there is a significant decrease in the number of PSIP claims, and a significant funding balance remains after all claims are paid at the reduced rates, a supplemental payment may be made, not to exceed 34% of OCFS.

Prior State Budget Reductions

The State's Final FY 09-10 Budget included the elimination of a line item called the Emergency Medical Services Appropriation (EMSA) which resulted in a statewide reduction of \$24.8 million intended to supplement the physician component of each county's Emergency Medical Services (EMS)/Maddy Fund. This resulted in a loss of \$8.8 million, or 30 percent of the funding, for Los Angeles County's PSIP Emergency Room (ER) and PSIP Trauma Physician programs. As a result of this funding cut, your Board approved a rate reduction from 27% to 18% for FY 2009-10 in February 2010. Based on previous projections, the rate remained at 18% for FY 10-11; however, based on current projections there is insufficient funding to maintain this reimbursement rate.

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*To ensure access to high-quality,
patient-centered, cost-effective
health care to Los Angeles County
residents through direct services at
DHS facilities and through
collaboration with community and
university partners.*

PSIP Background

Developed in 1987 to reimburse private physicians for indigent care, PSIP has historically been funded by a combination of: 1) penalty assessments collected for certain criminal offenses, known as "EMS/Maddy Funds"; 2) Los Angeles County "Measure B" property assessment funds designated for trauma centers (partial offset); and 3) the EMSA. EMSA funds were originally placed into the State budget in 2002 to offset reductions in Proposition 99 Tobacco Tax funds allocated by the California Healthcare for Indigents Program. These EMSA funds have been allocated to counties based on each county's share of the financial burden to provide health care services to those who are unable to pay.

Impact of Reduced PSIP Rates on Emergency Services

If implemented across-the-board, this rate reduction will likely result in the PSIP ER reimbursement rates falling below 50% of Medi-Cal payments. This could potentially exacerbate an already challenging situation by further limiting availability of physicians willing to be on-call to private ERs. Ultimately, this could result in further ER closures, longer ambulance transport times, and increased ER waiting times.

Alternatives to Across-the-Board Reductions in PSIP Rates

The only alternative to significant reductions is maintaining the existing rates and paying on a first-submitted, first-validated basis, resulting in unpaid claims at some point in the fiscal year, when all funding is exhausted. Historically, the County's Physician Reimbursement Advisory Committee (PRAC), a committee developed pursuant to the provisions of the State of California Welfare and Institutions Code, Sections 16950, et seq., and Health and Safety Code, Section 1797.98a, et seq., has rejected this methodology in favor of a reduced rate to ensure that all claims receive some reimbursement as stated in the legislation. DHS has notified PRAC and they have advised us to hold payment and reduce the rate for FY 10-11 to ensure that all claims are paid.

DHS will also notify the County EMS and Hospital Commissions of this proposed action. The proposed rate reduction will be further discussed at the upcoming EMS Commission meeting on September 21, 2011. Providers will be notified of this impending rate reduction and will be invited to submit comments/concerns in writing to the EMSC. DHS will review all comments and concerns prior to submitting a final recommendation to the Board.

DHS will expedite the Board letter to request your approval of these reduced rates.

If you have any questions, please contact me or Cathy Chidester, EMS Agency Director at (562) 247-1604.

Attachment

MHK:

c: Chief Executive Officer
County Counsel
Executive Officer, Board of Supervisors

**LOS ANGELES COUNTY - DEPARTMENT OF HEALTH SERVICES
PHYSICIAN AND TRAUMA SERVICES FOR INDIGENTS PROGRAMS
FYs 2009-10 THROUGH 2011-12 (Updated 9/14/2011)**

	(1) FY 2009-10	(2) FY 2010-11	(3) FY 2010-11	(4) FY 2011-12	(5)
Official County Fees Schedule (OCFS)					
Reimbursement Rate for ER /Trauma Claim	18% / 50%	18% / 50%	12% / 18% / 50%	Base 18% / 50%	4% Rate Cut 14% / 50%
	Actual	Estimate	Estimate	Estimate	Estimate
Sources					
SB 612 Revenues	\$ 8,750,496	\$ 8,322,073 (a)	\$ 8,322,073 (a)	\$ 8,462,708	\$ 8,462,708
SB 1773 Revenues	7,087,294	6,882,761 (a)	6,882,761 (a)	7,024,048	7,024,048
Measure B Revenues	4,716,000	4,716,000	4,716,000	4,716,000	4,716,000
MLK/Harbor IHP funds	1,215,228	1,215,228	1,215,228	1,215,228	1,215,228
Interest Income	172,544	119,857	119,857	100,000	100,000
Total Current Year Revenues	\$ 21,941,562	\$ 21,255,919	\$ 21,255,919	\$ 21,517,983	\$ 21,517,983
Carryover Balance from Prior Year	\$ 2,449,833 (b)	\$ 1,388,682	\$ 1,388,682	\$ -	\$ -
Total Sources	\$ 24,391,395	\$ 22,644,601	\$ 22,644,601	\$ 21,517,983	\$ 21,517,983
Uses					
Trauma Claims	\$ 4,611,218	\$ 4,648,182	\$ 4,648,182	\$ 4,685,168	\$ 4,685,168
ER Claims	17,492,699	17,570,640	16,221,362	17,570,640	13,666,053
ER Claims (estimated increase in volume)		728,102		1,456,204	1,132,603
Refunds of Current Year Claims	(316,433)	(280,000) (a)	(280,000) (a)	(140,000)	(140,000)
IHP Walk-in Claims	1,215,228	1,215,228	1,215,228	1,215,228	1,215,228
Total Uses	\$ 23,002,712	\$ 23,882,152	\$ 21,804,772	\$ 24,787,240	\$ 20,559,052
Ending Fund Balance	\$ 1,388,682	\$ (1,237,551)	\$ 839,829 (c)	\$ (3,269,256)	\$ 958,931 (c)

(a) Estimated amount.

(b) Includes refunds received and payment re-processed in FY 2010-11.

(c) Provision to cover higher than expected increase in claim volume and payments.

CLAIM STATISTICS	FY 08-09	FY 09-10	Change	FY 10-11	Change	FY 11-12	Change
	Actual	Actual	Actual	Estimate, Col 3	Estimate	Estimate, Col 4	Estimate
# of Enrolled Physicians	4,821	4,676	-3.0%	4,478	-4.2%	4,478	0.0%
# of ER Claims Paid	343,871	358,000	4.1%	372,835	4.1%	387,670	4.0%
# of Trauma Claims Paid	20,688	20,571	-0.6%	20,736	0.8%	20,901	0.8%